

SIZE AND TIMING OF 1982 SECURITY
ASSISTANCE AMENDMENT FOR PAKISTAN

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I. Size

The size of an FY 82 amendment will depend on the mix of FMS and ESF and the types of military equipment approved for sale. We will also want to begin a substantial IMET program.

A. Equipment: Militarily justified equipment requirements encompass every facet of Pakistan's armed forces. From the US standpoint, air defense and ground forces modernization are the most important.

- o air defense includes modern surface to air missiles and modern fighter aircraft
- o ground forces modernization should emphasize command-control-communications, mobility, and light, modern anti-armor weapons and munitions.

Known Pakistani military priorities reflect these needs and their overall modernization requirements.

B. Economic Assistance: Pakistan has serious balance of payments problems. The added burden a major military modernization effort would entail would add to the country's financial difficulties. Although the US supported debt rescheduling is a form of economic assistance, the Pakistanis will require additional help in the form of balance of payments support and/or commodity import programs.

C. Balanced Package: The task is to develop a balanced package which provides Pakistan with equipment compatible with modernization requirements -- and US objectives -- and assistance levels sufficient at least to initiate a credible modernization program with minimum economic dislocation. The package must take into account:

- o Pakistani views: There is a floor to the size of an aid package as evidenced by the "peanuts" rejection of our 1981 offer. Before going to Congress with an amendment, we will need to consult with Zia on the proposed package.
- o What we want to achieve with our aid: At a minimum we seek continued Pakistani opposition to the Soviet presence in Afghanistan. [

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DEPARTMENT OF STATE A/CDC/MR
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- o Budgetary considerations: FY 82 security assistance programs and outyear projections have not been subjected to the cuts most other programs have experienced in the Administration's budget revision. Nevertheless, the size of the probable Pakistani security assistance program cannot be absorbed within current levels; it must be treated as an add-on. When coupled with the proposed 82 enhancement package and other potentially large additional programs (for Israel and Egypt) it becomes abundantly clear that out-year OMB guidelines will have to be raised substantially.

II. Funding Options

There are two available methods for funding:

- o Independent annual programs - the standard funding approach, annual justification and consideration.
- o Multi-year commitment - often referred to as "cash-flow" financing (now provided Israel and Egypt).

Funding each year's program as an individual package could provide credits levels sufficient for modernization but could hamper the acquisition of expensive, long lead-time equipment (e.g. F16/79, I-Hawk), particularly since inflation increases the price of these items annually.

A multi-year commitment would permit the development of a longer term plan in which high dollar value items could more easily be accommodated. However, this does commit the US to minimum out-year funding levels for 3 to 5 years and could create problems during annual appropriations process (Congress has resented multi-year commitments), particularly if Congress should significantly reduce our request. Other high priority programs would have to be reduced to meet this commitment. Moreover, giving a multi-year commitment to Pakistan would probably result in demands for similar treatment from others. b-1
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III. Funding Packages

Because of Pakistan's balance of payments difficulties, the following packages and options have been developed on the assumption that half the FMS financing would be offered as concessionary direct credits. The program and budget authority estimates take this into account.

The packages have been designed to provide options of:

- o funding the program on an annual basis
- o making a multi-year commitment

and, with a choice of selecting one of three amendment requests. Insofar as possible, the packages are front end loaded and fall to an annual level of about \$500 million in the out-years.

- o \$500 million
- o \$600 million
- o \$750 million

The following options are matched to varying dollar ceilings and are not equated to specific equipment procurement costs.

PROGRAM OPTIONS*
(\$ Millions)

A. \$500 Million Amendment

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>Total FY82-86</u>
FMS	450	450	400	350	300	1,950
ESF	50	50	100	150	200	550
IMET	.6	.6	.6	.6	.6	3
PROGRAM	<u>500.6</u>	<u>500.6</u>	<u>500.6</u>	<u>500.6</u>	<u>500.6</u>	<u>2,503</u>
(BA)	(275.6)	(275.6)	(300.6)	(325.6)	(350.6)	(1,528)

B. \$600 Million Amendment

FMS	500	500	450	350	350	2,150
ESF	100	100	100	150	150	600
IMET	.6	.6	.6	.6	.6	3
PROGRAM	<u>600.6</u>	<u>600.6</u>	<u>550.6</u>	<u>500.6</u>	<u>500.6</u>	<u>2,753</u>
(BA)	(350.6)	(350.6)	(325.6)	(325.6)	(325.6)	(1,678)

C. \$750 Million Amendment

FMS	650	600	500	450	400	2,600
ESF	100	150	150	150	150	700
IMET	.6	.6	.6	.6	.6	3
PROGRAM	<u>750.6</u>	<u>750.6</u>	<u>650.6</u>	<u>600.6</u>	<u>550.6</u>	<u>3,303</u>
(BA)	(425.6)	(450.6)	(400.6)	(375.6)	(350.6)	(2,003)

* NOTE: The size of the FY 82 amendment is not designed to set an annual level.

IV. Timing

We should time transmittal to Congress of an FY 1982 budget amendment and related legislation providing for assistance to Pakistan to maximize its chances for passage. It is

assumed that we will have completed our policy review, consulted with the GOF, and developed a convincing rationale based on our security interests in Pakistan and the region.

Key factors influencing timing are:

-- The Congressional budget process.

-- The timing of Congressional action on the FY 1982 foreign assistance authorization and appropriations bills.

A. Congressional Budget Process: The Congressional Budget Act requires that all authorization and appropriations committees present initial estimates to the budget committee for the budget year (in this case FY 1982) by March 15. The budget process requires that the Congress agree on initial targets for that year in the form of a First Concurrent Budget Resolution, endorsed by both Houses, by May 15.

The significance of the Budget Resolution for the Pakistan package is that consideration of any legislative or spending proposal not included in the resolution, which is not offset by other reductions, is not in order unless a waiver is voted in both Houses. This would result in a direct vote on the Pakistan package, which it is in our interest to avoid. The outcome of such a vote is less certain this year given budgetary stringencies.

Accordingly, transmittal in late April or early May would permit including this potentially sizable program in the First Budget Resolution and remove a major hurdle.

B. Timing of Congressional Action on the FY 1982 Foreign Assistance Authorization and Appropriations Legislation: Similar considerations pertain to the foreign assistance authorization legislation for FY 1982. The Pakistan package will require both authorization and appropriations action. The Budget Act requires that all authorizing committees report their annual bills by May 15. Thereafter additions to the bill can only be made as floor amendments requiring a separate vote.

Accordingly, it is in our interest to transmit a Pakistan package in time to permit full committee consideration and inclusion in the FY 1982 bills in both Houses. Thereafter it takes a vote to remove it; otherwise, as noted, it must be added on the floor. As a general rule, it is unwise to seek to add a major proposal on the floor because:

-- The committees may oppose on grounds that they were circumvented and that hearings are necessary.

-- The floor, particularly in the House, is most unwieldy and the Executive has virtually no influence on the outcome.

This issue is less of a factor in the appropriations process because the appropriations committees normally do not mark-up and report bills until the early summer. If they were to mark-up sooner, however, it is in our interest to transmit in time to permit committee, rather than floor action.

There are three options:

- 1) Transmit a package by late April to permit its inclusion in the First Concurrent Budget Resolution and to permit authorizing committee action by May 15 in the context of the FY 1982 security assistance legislation.
- 2) Transmit the package after May 15 with the clear understanding that we seek full authorization and appropriations committee consideration and action; this is likely to result in a separate bill.
- 3) Transmit after May 15 but seek to incorporate the package in the FY 1982 security assistance legislation via floor amendments.

The options are presented in order of desirability in terms of ease of enactment.

Option one would ensure inclusion in the First Budget Resolution and permit committee hearings and normal consideration in the FY 1982 security assistance authorization and appropriations bills. The committees, assuming they approve, will defend the proposal on the floor and the burden of proof is on any opponents.

The second option would permit normal committee consideration but would probably require a waiver of the budget resolution and a separate authorization bill, i.e. two separate votes on the package. The appropriations committees would incorporate it with the regular foreign aid bill assuming, as is likely, action in early summer.

The third option is the least desirable. It has all of the negative features of option two plus circumvention of the authorizing committees and the uncertainty of initially raising such an important proposal on the floor of both Houses.

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Pages Nos. 6, 7, 8, and 9

have been withheld in their entirety.

Exemption(s) invoked: (b)(1) (a)(5)